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TriWest.com

January 11, 2018

J. David Cox, Sr.
National President
American Federation of Government Employees, AFL-CIO
80 F Street NW
Washington, DC 20001

Dear Mr. Cox,

I am writing on behalf of TriWest Healthcare Alliance in response to the news release distributed yesterday by the American Federation of Government Employees (AFGE) titled "VA Union Calls for Investigation into \$90 Million Fraud," and the letters to House and Senate Veterans Affairs Committee leadership it contained.

TriWest has been communicating with House and Senate VA Committee leadership on this topic for a long time now, informing them that we appreciated the fact that the IG conducted this required review and that we were pleased to have the opportunity to meet with the IG's team and provide requested data. Unfortunately, your letter omitted critical facts which led to incorrect generalized assumptions and erroneous conclusions with regard to overpayments to our company.

First and foremost, I want to be very clear – the evidence clearly shows that TriWest has not attempted to overcharge taxpayers or the Department of Veterans Affairs (VA) but rather the opposite. In fact, long before TriWest was even aware of any governmental inquiry into these issues, TriWest *voluntarily researched, identified and disclosed to VA* the fact that VA's legacy payment system had resulted in or contributed to systematic overpayments. TriWest then set aside a reserve for these suspected overpayments, asked VA to allow TriWest to remit any confirmed overpayments, and requested formal approval from VA to establish a process to reconcile claims and payments, which our contract has never defined. Even today, TriWest is waiting for the agency to provide instructions regarding how the contractors are supposed to handle possible overpayments.

Second, it is widely recognized that VA has long been challenged in delivering timeliness and accuracy in claims processing, as documented in numerous reports and studies. Just last month the OIG issued a report concluding that VA "failed to comply with [Choice] regulations when it established payment processing systems that did not function efficiently and have proper controls to ensure payment accuracy." VA OIG Report 15-03036-47 (Dec. 21, 2017). Moreover, the agency has acknowledged these issues and has explained that "VA had an extremely short timeline to implement the Choice Act and due to a number of factors, the Department experienced delays in payments to both Health Net and TriWest. These delays frustrated the contractors' financial ability to sustain community provider networks, and undermined their ability to recruit and retain providers. As a result, it was necessary for VA to change its payment methods for Choice and it was understood that there would be significant initial reliance on post-payment Choice payment reviews and audits."

"Whatever It Takes"

As the report explains, the root causes of payment errors included the widely-criticized slow payment by VA, which resulted in VA owing TriWest more than \$200 million for health care already provided to Veterans. While trying to correct that timeliness problem, the agency continued to rely on legacy payment systems, which are no longer used today. Unfortunately, during that period of time, those payment systems introduced errors that would not otherwise had occurred. On a positive note, VA rolled out a new claims system for Choice claims in 2017, and TriWest is hopeful many of the historical issues caused by VA's legacy claims system and payment processes can be resolved in the coming months.

Third, it must be understood that VA's unique payment systems are designed to overpay and have intentionally overpaid many thousands of claims, such as adjusted claims from health care providers. Contrary to VA's assurances to TriWest, the agency did not notify TriWest when this happened or flag these payments for recovery as was also promised by the agency. In addition, the agency did not provide TriWest with complete or timely explanations that matched payments and claims so that TriWest would be able to identify overpayments. When VA finally provided TriWest accurate matching data that TriWest had been requesting for years, we started the process of attempting to reconcile claims and payments. TriWest hired consultants to assist in examining years of backlogged data, and we then proactively found and notified VA about the overpayments before the government even asked us to look. Since then, TriWest has continued to cooperate and share data with VA in order to further reduce claims processing errors, which are already low by commercial standards and have helped to improve upon VA's historical accuracy rate. Since VA never defined a process to accomplish the much-needed reconciliation of claims to payments, TriWest proceeded with its own reconciliation effort in order to protect the taxpayer. While still waiting for instruction from the agency, TriWest remains ready to complete the necessary reconciliations as soon as that process is approved.

As your letter correctly indicated, the September OIG report identified four areas where payment errors may have occurred. One scenario reviewed whether TriWest had passed any discounts that it received from providers along to the taxpayers, and the latest OIG report noted that TriWest has passed along those discounts as savings to the taxpayer 100% of the time. The other three scenarios relate to issues that TriWest, at its own expense, has been examining in cooperation with the agency as discussed above. Based on our own initiative and at our company's own expense, TriWest undertook the work necessary to find and then disclose overpayments to VA and has been actively working with VA to address those issues. We expect that the remaining issues will be resolved in the near future, so that TriWest may continue to help VA add efficiencies to its programs and deliver expanded health care options to the nation's Veterans.

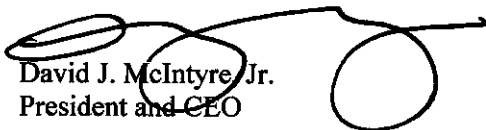
Despite these obstacles, TriWest has always worked closely with VA to find ways to improve the Choice program. Without a doubt, the system has gotten better. TriWest's vast provider network tailored for the need of Veterans in our geographic area of responsibility has provided VA with much-needed elasticity to meet the growing health care needs of Veterans – with our network now having enabled over one million Veterans to get access to health care services, and we have processed over 7.5 million claims for those services, a vast improvement over the days when Veterans were waiting on long wait lists to receive needed treatment. Even with these improvements, there is still work to do to get the system to where it needs and we all want it to be. Moving forward, we have recommended and hope that VA follows the approach that Medicare and DoD have taken, where the TPAs who are processing claims on VA's behalf are not also functioning as the bank account for the federal government (as TriWest has done from the beginning). We also recommend that VA adapt its systems to follow business standards

common to the health care industry. These changes (along with other issues that VA and TriWest are currently discussing) would go a long way to addressing the overpayment issues that have impacted both VA and the TPAs.

Having said all of that, while work remains to be accomplished in the quest to continue to mature the Choice program, we are honored to have built a network of 200,000 community providers across 28 states in support of VA and its critical mission. It has been a great honor to continue supporting the vital mission of the Department of Veterans Affairs to care for those who stood up to wear the uniform of our nation. Over the past three years, TriWest has administered VA's Choice program which was established to address Veterans' long wait times for access to quality health care. TriWest has met that demand by improving access to health care delivered to Veterans, thereby helping to improve VA's responsiveness to Veterans' needs by reducing average appointing time for care in the community to an average of only three days. The era of Veterans suffering and enduring inexplicable delays on long VA health care waiting lists are long gone because of the community care contracts and the hard work of TriWest and its employees.

Taking care of our nation's Veterans and military personnel has been and continues to be TriWest's highest priority for over 20 years. I realize I have provided you with an abundance of facts and information. Realizing that claims processing can be a rather complicated issue, I would more than welcome the opportunity to meet with you personally and provide you with clarity to any further questions you may have, so that a clear and complete understanding of claims processing is achieved. Please let me know of a time convenient for you and I will clear my calendar to make it happen. I may be reached at 602-564-2050, or dmcintyre@triwest.com.

Respectfully,


David J. McIntyre Jr.
President and CEO

cc: The Honorable Phil Roe, Chairman, House Committee on Veterans' Affairs
The Honorable Jack Bergman, Chairman, Subcommittee on Oversight & Investigations
The Honorable Tim Walz, Ranking Member, House Committee on Veterans' Affairs
The Honorable Ann McLane Kuster, Ranking Member, Subcommittee on Oversight & Investigations
The Honorable Johnny Isakson, Chairman, Committee on Veterans' Affairs
The Honorable Jon Tester, Ranking Member, Committee on Veterans' Affairs